

FINAL EXAMINATION

June 2026

P-18(CFR)
Syllabus 2022

CORPORATE FINANCIAL REPORTING

Time Allowed: 3 Hours

Full Marks: 100

*The figures in the margin on the right side indicate full marks.
Where considered necessary, suitable assumptions may be made and
clearly indicated in the answer.*

All working notes should form part of your answer.

Answer to Question No.1 in Section-A is compulsory.

Further answer any five from Question No. 2 to Question No.8 in Section-B.

Section - A (Compulsory)

1. Choose the correct alternative:

2×15=30

- (i) Sonu Ltd. has a machinery on 1st April,2024 with carrying amount of ₹ 28,00,000 after annual depreciation of ₹ 3,00,000 with remaining useful life of 9 years and residual value of ₹ 1,00,000. Depreciation is charged on straight line method. On 31st March,2025, the machine is revalued at ₹ 29,00,000. As per Ind AS-36 the amount of depreciation for the year 2025-26 will be _____.
- (A) ₹ 3,00,000
(B) ₹ 3,62,500
(C) ₹ 3,50,000
(D) ₹ 3,11,111
- (ii) During the year 2025-26, KAVERI Ltd. purchased a special type of packing material from a USA based company for \$ 14,00,000 on 1st November, 2025, when the exchange rate was \$ 1 = ₹ 85. The American company provided KAVERI Ltd. with 5-month interest-free credit. At the reporting date i.e. 31st March, 2026, the exchange rate was \$ 1 = ₹ 87.50. As at 31st March, 2026, 60% of the material purchased was still in inventory of KAVERI Ltd. The functional currency of KAVERI Ltd. is Indian Rupee. What is the amount of exchange loss/gain to be recognized on 31st March, 2026, in relation to the purchase of material from the American Company?
- (A) ₹ 35,00,000 exchange loss
(B) ₹ 33,20,000 exchange loss
(C) ₹ 17,40,000 exchange loss
(D) Nil

(iii) An asset is purchased for ₹ 10,00,000; Accounting depreciation: ₹ 1,00,000 p.a. (SLM, 10 years, no residual value); Tax depreciation: ₹ 2,00,000 p.a. (accelerated, 5 years). Tax rate is 30% including surcharge etc. The business is profitable and no nontax deductible items are involved. At the end of Year 1, the treatment required under Ind AS 12 is:

- (A) Recognize deferred tax asset of ₹ 30,000
- (B) Recognize deferred tax liability of ₹ 30,000
- (C) Recognize deferred tax liability of ₹ 60,000
- (D) Recognize deferred tax asset of ₹ 60,000

(iv) A company changes its method of valuation of inventories from weighted average method to FIFO method. As per Ind AS 8, this change should ordinarily be accounted for as:

- (A) Change in estimate, prospectively
- (B) Change in accounting policy, prospectively
- (C) Change in accounting policy, retrospectively
- (D) Correction of prior period error

(v) PADMA Ltd. has purchased equity shares of TAPTI Ltd. at a cost of ₹ 12,00,000, which also happens to be its fair value. It has classified this financial instrument as fair value through profit or loss. Also, for purchase of the shares, PADMA Ltd. has incurred directly attributable acquisition cost of ₹ 50,000. Calculate the amount to be recognized at initial recognition of the equity shares as per Ind AS 109.

- (A) ₹ 12,50,000
- (B) ₹ 11,50,000
- (C) ₹ 12,00,000
- (D) Either (A) or (B)

- (vi) Normal return expected on equity shares of ALAKANANDA Ltd. is 8%. The profit available to equity shareholders is ₹ 3,83,125 and value of net asset for equity shareholders is ₹ 40,82,000. Calculate the value of each equity share under fair value method if number of outstanding equity shares is 1,00,000 and the face value is ₹ 10.
- (A) ₹ 44.36
(B) ₹ 38.41
(C) ₹ 47.89
(D) ₹ 40.82
- (vii) D Ltd. has acquired 100% of the equity of N Ltd. on March 31, 2025. The purchase consideration comprises of an immediate payment of ₹ 40 lakhs and three further payments of ₹ 4 lakh each if the return on equity exceeds 16% in each of the subsequent three financial years. On the acquisition date, the aggregate value of N's identifiable assets is ₹ 44,00,000. Calculate purchase consideration and Goodwill/ gain on bargain purchase. Assume discount rate @ 10%. [PVIF @ 10% for Year 1, 2, 3 are 0.909, 0.826 and 0.751]
- (A) Purchase consideration ₹ 40,00,000 and gain on bargain purchase ₹ 4,00,000
(B) Purchase consideration ₹ 52,00,000 and goodwill ₹ 8,00,000
(C) Purchase consideration ₹ 49,94,400 and goodwill ₹ 9,94,400
(D) Purchase consideration ₹ 49,94,400 and goodwill ₹ 5,94,400
- (viii) As per Ind AS 103, while accounting and reporting for business combination, gain on bargain purchase is calculated as _____
- (A) Net assets – Consideration + Non-controlling Interest
(B) Net assets + Consideration – Non-controlling Interest
(C) Net assets – Consideration – Non-controlling Interest
(D) Net assets + Consideration + Non-controlling Interest

- (ix) A company undertakes internal reconstruction and revalued its assets as follows:
Land & building (book value ₹ 15,00,000) to ₹ 20,00,000
Machinery (book value ₹ 10,00,000) to ₹ 9,00,000
The net amount to be credited to the Capital Reduction Account from these revaluation entries will be _____.
- (A) ₹ 0
 - (B) ₹ 4,00,000
 - (C) ₹ 5,00,000
 - (D) ₹ 6,00,000
- (x) P Ltd. acquired 75% of S Ltd. for ₹ 18 lakhs when the fair value of the identifiable net assets of S Ltd. was ₹ 20 lakhs. Non-controlling interest is measured at proportionate share of net assets. The amount of non-controlling interest at acquisition is
- (A) ₹ 2 lakhs
 - (B) ₹ 3 lakhs
 - (C) ₹ 5 lakhs
 - (D) ₹ 15 lakhs
- (xi) G Ltd. acquired 30% interest in H Ltd. for ₹ 3,00,000 and accounts for it using the equity method. During the year, H Ltd. earned profit of ₹ 2,00,000 and declared dividend of ₹ 50,000. Carrying amount of the investment at year-end will be
- (A) ₹ 3,60,000
 - (B) ₹ 3,45,000
 - (C) ₹ 3,15,000
 - (D) ₹ 2,85,000
- (xii) A/An _____ is an entity over which the investor has significant influence.
- (A) Associate
 - (B) Joint Venture
 - (C) Partnership
 - (D) All of the above
- (xiii) The key challenges for implementation of quadruple bottom line (QBL) reporting do not include _____.
- (A) understanding stakeholder requirements.
 - (B) determining and measuring performance indicators.
 - (C) aligning QBL reporting with maximization of profit.
 - (D) awareness of relevant issues associated with QBL reporting.

- (xiv) _____ is the accounting surplus generated by the business and distributable not only to the owners or the shareholders but also to other stakeholders i.e., the lenders, the employees and the government.
- (A) Value Added
(B) Economic Value Added
(C) Market Value Added
(D) Human Value Added
- (xv) GASAB stands for
- (A) Government Auditing Standards Advisory Board
(B) Government Accounting Standards Applicability Board
(C) Government Accounting Standards Advisory Board
(D) General Accounting Standards Advisory Bureau

Section – B

Answer any five questions from the following. Each question carries 14 marks.

14×5=70

2. (a) Zenova Mobility Ltd. reported profit before tax of ₹ 18,00,000 for the year ended 31st March, 2026 after considering the following items:
- Depreciation charged in the books on plant: ₹ 3,00,000. Depreciation allowable under Income-tax Act: ₹ 4,20,000.
 - A provision for warranty of ₹ 1,20,000 was charged to the Statement of Profit and Loss. For tax purposes, warranty cost is allowed only on payment basis. During the year, actual warranty claims paid amounted to ₹ 70,000.
 - Preliminary expenses written off during the year amounted to ₹ 40,000. These are not allowable for tax purposes at any time.
 - Land was revalued upward by ₹ 2,00,000 during the year and the revaluation gain was recognized in OCI. No tax adjustment is available in respect of such revaluation.
 - The company has carry-forward tax losses of earlier years amounting to ₹ 1,50,000. It is virtually certain that sufficient future taxable profits will be available.
 - Income-tax rate is 30%.

You are required to calculate:

- (i) Taxable profit
- (ii) Current tax
- (iii) Deferred tax asset/liability
- (iv) Total tax expense for the year as per Ind AS 12

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(b) Expenditure on a new production process of X Ltd. in 2023-2024 were as follows:

Particulars	₹
1st April to 31st December, 2023	2,70,000
1st January to 31st March, 2024	90,000
	3,60,000

The production process met the intangible asset recognition criteria for development on 1st January, 2024. The amount estimated to be recoverable from the process is ₹ 1,00,000.

Expenditure incurred for development of the process in financial year 2024-2025 is ₹ 6,00,000. The asset was brought into use on 31st March, 2025 and is expected to be useful for 6 years.

- (i) Calculate the carrying amount of the intangible asset at 31st March, 2024 and 31st March, 2025. Also calculate the amount to be charged to profit or loss for 2023-2024.
- (ii) If on 31st March, 2026, the amount estimated to be recoverable from the process is ₹ 5,00,000, calculate the carrying amount of the intangible asset at 31st March, 2026 and the charge to profit or loss for 2025-2026 on account of impairment loss.

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3. (a) On 1st April, 2025, Vertex Systems Ltd. granted 1,00,000 stock options to its employees. Each option allows the employee to acquire one equity share of the company at an exercise price of ₹ 50 per share. The fair value of each option on the grant date is ₹ 20. The options will vest at the end of 3 years, provided the employees remain in service. The company estimates the following:

Year-end	Estimate of Employees Leaving before Vesting
31st March, 2026 (Year 1)	10% of employees expected to leave
31st March, 2027 (Year 2)	Revised estimate: 5% of total employees leaving
31st March, 2028 (Year 3)	Actual: 8% of employees left

Analyze the employee compensation expense for each year and prepare the necessary journal entries as per Ind AS 102.

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- (b) The following is the Balance Sheet of Nakul Ltd. as at 31st March, 2026. Based upon the said Balance Sheet and other details, you are required to calculate the value of goodwill at 3 years' purchase of super profits, if any, earned by the company in the previous 4 completed accounting years.

Particulars	Note No.	₹ in lakhs
I ASSETS	—	—
(1) Non-current assets	—	—
(a) Property, plant and equipment	—	4,637.50
(b) Other intangible assets (Patents and Trademarks)	—	239.40
(c) Financial assets	—	—
Investments (9% non-trade)	—	420.00
(d) Other non-current assets	—	14.00
(2) Current assets	—	898.10
Total assets	—	6,209.00
II EQUITY AND LIABILITIES	—	—
(1) Equity	—	—
(a) Equity share capital (3.5 crore equity shares of ₹ 10 each)	—	3,500.00
(b) Other equity (Reserve and surplus)	—	2,296.00
(2) Current liabilities	—	—
(a) Financial liabilities	—	—
Trade payables	—	397.60
(b) Provisions (current tax)	—	15.40
Total equity and liabilities	—	6,209.00

Notes to accounts (₹ in lakhs)

1. Proposed dividend

Dividend proposed for equity shareholders (Rs. 1.50 per share)	525.00
Total	525.00

Additional Information:

- (i) The profits before tax for the 4 years have been as under:

Year ended 31st March	₹ in lakhs
2022	2,233.00
2023	1,750.00
2024	2,175.60
2025	2,030.00

- (ii) The rate of income-tax for the accounting year 2021-22 was 40%. Thereafter, it has been 38% for all the years so far. However, for the accounting year 2025-26, it will be 35%.
- (iii) In the accounting year 2021-22, the company earned an extraordinary income of ₹ 0.70 crore because of a special foreign contract. In August 2022, there was a fire due to which the company lost property worth ₹ 35 lakhs and the insurance policy did not cover the loss.
- (iv) 9% non-trade investments were purchased at par by the company on 1st April, 2023.
- (v) The normal rate of return in the industry to which the company belongs is 20% of closing capital employed. It is important to note that the company's shareholders, in their general meeting, have passed a resolution sanctioning the directors an additional remuneration of ₹ 35 lakhs every year beginning from the accounting year 2025-26.

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4. (a) C Ltd. issued 5,000, 8% Convertible Debentures of ₹ 100 each at par on 1st April, 2025. The terms of issue are as follows:
- Total face value / gross proceeds: ₹ 5,00,000
 - Coupon rate: 8% p.a., payable annually
 - Maturity: 3 years, redeemable on 31st March, 2028
 - The holder has the option, at maturity, either to receive cash equal to face value, or to convert each debenture into 10 equity shares of ₹ 10 each.
 - The prevailing market interest rate for similar debentures without the conversion option is 12% p.a.
 - Transaction costs directly attributable to the issue amount to ₹ 10,000.
 - Ignore tax effects.

Present value factors at 12%:

Year	1	2	3
PV Factor	0.8929	0.7972	0.7118

Additional information: After allocation of transaction costs, the effective interest rate (EIR) applicable to the liability component may be taken as 12.82% p.a.

Required:

- (i) Analyze the liability component and equity component of the compound financial instrument at initial recognition.
- (ii) Allocate the transaction costs between liability and equity components.
- (iii) Prepare the amortization table of the liability component for 3 years using the Effective Interest Rate method.
- (iv) Prepare journal entries for the first year only in the books of C Ltd. 7
- (b) Unlucky Ltd. has been incurring losses for the past few years, resulting in an erosion of its capital. The Summarized Balance Sheet of the company as on 31st March, 2025 is as follows:

Balance Sheet of Unlucky Ltd. as at 31st March, 2025

Particulars	Amount (₹)
Assets:	
Freehold Land	5,00,000
Buildings	2,00,000
Plant & Machinery	2,50,000
Furniture & Fixtures	1,00,000
Trade Debtors	1,50,000
Stock-in-Trade	1,50,000
Cash at Bank	50,000
Goodwill (to be written off)	50,000
Total Assets	14,50,000
Equity and Liabilities:	
Equity Share Capital (50,000 shares of ₹ 10)	5,00,000
General Reserve	50,000
Statement of Profit & Loss (Dr. balance)	(2,00,000)
12% Preference Share Capital (20,000 shares of ₹ 10)	2,00,000
Trade Creditors	80,000
Bills Payable	20,000
Secured Bank Loan	3,00,000
12% Debentures	5,00,000
Total Equity and Liabilities	14,50,000

An internal reconstruction scheme, agreed by all concerned, is as follows:

- (i) Equity shares are to be reduced from ₹ 10 to ₹ 5 each.
- (ii) Preference shares are to be reduced from ₹ 10 to ₹ 5 each.

- (iii) Against ₹ 5,00,000 claim of the debenture holders, ₹ 60,000 will be paid in cash and ₹ 3,00,000 will be converted into equity shares of ₹ 5 each. Balance claim of ₹ 1,40,000 has been waived by the debenture holders.
- (iv) Trade creditors will be paid ₹ 40,000 in cash and the balance will be settled by issue of equity shares of ₹ 5 each.
- (v) Bills payable of ₹ 20,000 will be settled by issue of equity shares of ₹ 5 each.
- (vi) Goodwill and debit balance of the Statement of Profit & Loss must be written off. Buildings and Plant & Machinery must be reduced by ₹ 20,000 each and Freehold Land will be revalued upward by ₹ 50,000.
- (vii) 10,000 new equity shares of ₹ 5 each will be issued for cash.

Prepare necessary Journal Entries (narration not required) in the books of Unlucky Ltd. 7

5. X Ltd. and Y Ltd. were amalgamated to form a new company XY Ltd. on 31st March, 2026 who issued requisite number of equity shares of ₹ 10 to take over the businesses of X Ltd. and Y Ltd. The abstracts of Balance Sheets of the companies on 31st March, 2026 are as follows:

Particulars	X Ltd. (₹ in Lakh)	Y Ltd. (₹ in Lakh)
I. Assets:		
1. Non-current Assets:		
(a) PPE	15,000	16,000
(b) Financial Assets (Investments)	1,600	1,000
2. Current Assets	9,400	13,000
Total Assets	26,000	30,000
II. Equity and Liabilities:		
Equity Share Capital (₹10 each share)	12,000	20,000
Other Equity	6,000	2,000
Borrowings	4,000	6,000
Current Liabilities	4,000	2,000
Total Equity and Liabilities	26,000	30,000

Fair values of the following items are given:

Particulars	X Ltd. (₹ in Lakh)	Y Ltd. (₹ in Lakh)
PPE	16,000	12,000
Current Assets	10,000	14,000
Fair Value of Business	15,000	30,000

The control of XY Ltd. is taken over by the management of Y Ltd.

Prepare the Balance Sheet of XY Ltd. after merger. Workings will form part of your answer.

6. The Balance Sheets of M Ltd. and N Ltd. as on 31.03.2026 were as follows:

Particulars	M Ltd. (₹ in lakh)	N Ltd. (₹ in lakh)
Assets		
Non-current Assets		
PPE	14,800	6,000
Investment in shares of N Ltd.	5,800	—
Investment in Debentures of N Ltd.	1,250	—
Current Assets		
Inventories	2,600	4,000
Trade Receivables (including Rs.20 lakh due from M Ltd.)	2,070	1,000
Cash and Cash Equivalent	1,000	1,000
Total	27,520	12,000
Equity and Liabilities		
Equity		
Share Capital (₹ 10)	10,000	4,000
Other Equity (Retained Earnings)	16,320	5,000
Non-current Liabilities		
10% Debentures (₹ 100)	—	2,000
Current Liabilities		
Trade Payables (including ₹ 10 lakh due to N Ltd.)	1,200	1,000
Total	27,520	12,000

Additional Information:

- On 01.04.2025, N Ltd. had 400 lakh shares of ₹ 10 each and ₹ 3,000 lakh in its Retained Earnings in Other Equity. M Ltd. acquired 80% share of N Ltd. on 01.04.2025 at a consideration of ₹ 5,800 lakh (i.e., at a premium of ₹ 40 lakh over the market price per share of ₹ 18 each) payable in cash. In addition, M Ltd. also acquired 60% of debentures issued by N Ltd. in cash on 01.04.2025.
- The aggregate identifiable net assets of N Ltd. as on 01.04.2025 included PPE and inventory standing in the books of N Ltd. at ₹ 2,500 lakh and ₹ 500 lakh having fair value of ₹ 2,800 lakh and ₹ 200 lakh respectively. The rate of depreciation on PPE is 10% p.a.
- NCI was to be measured at fair value at the market price of ₹ 18 per share.
- Goodwill was impaired by ₹ 120 lakh during the year.

(e) N Ltd. sold goods worth ₹ 100 lakh to M Ltd. on credit at a profit of 20% on sales. 50% of the goods were still laying unsold. Difference in the inter-co. accounts is due to cash-in-transit.

(f) Interest on debentures is payable quarterly. Last quarter's interest is still outstanding.

Analyse the information and prepare the Consolidated Balance Sheet of the Group on 31.03.2026. 14

7. (a) Rajat Industries Ltd. (RIL) furnishes you with the following pieces of information from which you are required to calculate the Economic Value Added (EVA) of the company.

Share capital (Face value ₹ 1,000 each)	4,42,960 shares
12% debentures (Face value ₹ 10 each)	1,40,00,000 Debentures
Current tax rate	30%
Financial leverage	1.1 times
Securities premium account	₹ 434 lakhs
Free reserves	₹ 431.20 lakhs
Capital reserve	₹ 305.20 lakhs
Risk free rate	9% p.a.
Market rate of return	13% p.a.
Beta factor	1.5

(b) Identify various users of XBRL and explain how they are benefitted from it. 7

8. (a) Briefly discuss the role of Public Accounts Committee. 5

(b) Briefly explain 'Consolidated Funds of India' and 'Contingency Funds of India'. 5

(c) On 1st October, 2025, Vector Ltd. held 20% equity shares in Matrix Ltd. at a carrying amount of ₹ 1,80,000. On that date, Vector Ltd. acquired a further 60% equity shares in Matrix Ltd. for ₹ 7,20,000, thereby obtaining control.

On the date of acquisition:

Fair value of previously held 20% interest = ₹ 2,40,000

Fair value of non-controlling interest = ₹ 2,20,000

Fair value of identifiable net assets of Matrix Ltd. = ₹ 11,00,000

Calculate:

- (i) Gain on remeasurement of previously held interest
(ii) Goodwill or gain on bargain purchase on acquisition